

Message Text

LIMITED OFFICIAL USE

PAGE 01 DACCA 05416 270240Z

13

ACTION TRSE-00

INFO OCT-01 EA-06 NEA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-01 INR-05 NSAE-00 RSC-01 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-01 SIL-01 OMB-01 NSC-05 SS-15

STR-01 CEA-01 /065 W

----- 126606

R 260945Z NOV 74

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 5006

INFO AMEMBASSY MANILA

LIMITED OFFICIAL USE DACCA 5416

FOR NAC AGENCIES

MANILA FOR USADB

E.O. 11652: N/A

TAGS: EAID, EFIN, BG

SUBJ: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE FOR BANGLADESH
SHILPA RIN SANGSTHA PROJECT

REF: MANILA 13827

1. AS REQUESTED, MISSION COMMENTS ON POINTS RAISED REFTEL FOLLOW.

2. EMBOFF MET WITH SULAIMAN CHAUDHURY, MANAGING DIRECTOR,
BANGLADESH SHILPA RIN SANGSTHA (BSRS), NOV 25. HE MADE COMMENTS
ON BSRS SITUATION AS FOLLOWS:

(A) BSRS FINANCIAL POSITION (PARAS 6 AND 7 REFTEL): WYILE
ADMITTING SITUATION IS UNCERTAIN, CHAUDHURY EMPHASIZED BSRS
POSITION AS GOVERNMENT ENTITY. AS SUCH IT IS UNLIKELY THAT BSRS
WOULD BE PLACED IN UNTENABLE FINANCIAL POSITION BY GOVERNMENT.
CHAUDHURY ALSO POINTED OUT THAT FOREIGN DONOR SETTLEMENTS OF
PRE-LIBERATION BSRS DEBT SO FAR HAVE CONTAINED GENEROUS GRANT
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DACCA 05416 270240Z

ELEMENTS. WITH COMBINATION OF BDG GUARANTEE AND GENEROUS

REPAYMENT TERMS, MANAGING DIRECTOR BELIVED BSRS WAS IN REASONABLE FINANCIAL CONDITION. WE AGREE.

(B) DEVELOPING BANKING EXPERTISE (PARA 8 REFTEL): IN ADDITION TO PROPOSED ADB TECHNICAL ASSISTANCE PROGRAM, WE UNDERSTAND BOTH AUSTRALIA AND CANADA HAVE OFFERED TO TRAIN JUNIOR BANGLADESH BANK OFFICIALS, WHICH WILL INCREASE BDG SUPPLY TRAINED EXECUTIVES. THESE PROGRAMS ARE TO BEGIN IN 1975.

(C) OVERLAP BETWEEN BSRS AND BANGLADESH SHILPA BANK (PARA 11 REFTEL): BDG IS CLEARLY AWARE OF THE POTENTIAL FOR WASTEFUL OVERLAP, BUT HAS ALREADY ACTED TO CONSOLIDATE FOUR INHERITED INSTITUTIONS INTO TWO AND HAS ADDRESSED PROBLEM IN 1174/75 ANNUAL DEVELOPMENT PLAN (PP. 104-109). ALTHOUGH ANNUAL DEVELOPMENT W EN RECOMMENDATIONS NOT YET ADOPTED, CHAUDHURY SAID BSRS AND SHILPA BANK HAVE AGREED INFORMALLY TO A DIVISION OF LABOR. BSRS IS THE PRIMARY FINANCING ORGANIZATION FOR ALL NEW PUBLIC SECTOR ENTERPRISES AND FOR MEDIUM AND LARGE PRIVATE SECTOR ENTERPRISES. SHILPA BANK IS THE PRIMARY FINANCING ORGANIZATION FOR SMALL AND MEDIUM PRIVATE SECTOR INVESTMENT AND FOR BMR PUBLIC SECTOR INVESTMENT. (THIS DIVISION DOES NOT AFFECT THE CARRYOVER PROJECTS INHERITED FROM PRE-LIBERATION ORGANIZATIONS, I.E., BOTH BSRS AND SHILPA BANK ARE RESPONSIBLE FOR BMR EXPENDITURES IN THE JUTE AND TEXTILE MILLS THEIR PREDECESSORS ORIGINALLY FINANCED.) THUS, THROUGH THEIR OWN EFFORTS BSRS AND SHILPA BANK HAVE LIMITED THE AREA OF OVERLAPPING RESPONSIBILITIES TO MEDIUM SIZED PRIVATE SECTOR INVESTMENT. WHILE OVERLAP PROBLEM THUS NOT COMPLETELY ELIMINATED, THE FACT THAT MAJORITY MIDDLE-LEVEL AND SENIOR PERSONNEL IN BOTH BANKS SERVED TOGETHER IN PREDECESSOR INSTITUTIONS BEFORE INDEPENDENCE HAS IN PRACTICE RESULTED IN CLOSE AND EASY WORKING RELATIONSHIPS BETWEEN LOAN AND OTHER DECISION-MAKING OFFICIALS IN THESE ORGANIZATIONS.

2. WITH REGARD USADB COMMENT PARA 12 REFTEL CONCERNING WAIVER COMPETITIVE PROCUREMENT REQUIREMENTS UNDER SUB-LOANS, IN OUR VIEW SUCH WAIVERS MAY IN FACT BE ESSENTIAL TO ENSURE EFFECTIVE USE ADB LOAN FUNDS FOR THIS PROJECT. UK AND OTHER DONORS DO PROVIDE IMPORT TYPE CREDITS WHICH CAN BE USED GENERGLY FOR SPARE PARTS REPLACEMENT, ETC., BUT GIVEN BDG FOREIGN EXCHANGE SHORTAGE, COMPETITION FOR THESE SCARCE FUNDS TENDS TO RESTRICT AVAILABILITY IN CASE OF INDIVIDUALLY APPLYING COMPANIES OR ENTERPRISES. SUB-L LOANS FINANCED BY ADB HOWEVER SHOULD EXTEND MORE BORADLY TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DACCA 05416 270240Z

REHABILITATE OR REPLACE TOTAL OR NEAR TOTAL DAMAGED OR WORN EQUIPMENT FOR ANY GIVEN ENTERPRISE. ACCORDINGLY, UNLESS PROCUREMENT PROCEDURES CAN BE WAIVED TO PERMIT NECESSARY SOLE SOURCE PROCUREMENT THE PURPOSE OF SUCH SUB-LOANS COULD BE VITIATED. THIS MISSION THEREFORE HAS NO BASIC OBJECTION TO PROPOSED WAIVER PROVIDED PROCEDURES FOR APPROVAL OF WAIVERS ARE APPROPRIATELY OBSERVED BY ADB. THIS SHOULD PRESENT NO PRACTICAL PROBLEM SINCE AS NOTED PARA 9 REFTEL ADB WILL APPROVE ALL SUB-LOANS EXCEEDING

\$150,000.

3. MISSION RECOMMENDS NAC APPROVAL THIS PROPOSED ADB LOAN TO
BANGLADESH.
BOSTER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TECHNICAL ASSISTANCE, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974DACCA05416
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740343-0986
From: DACCA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741113/aaaaaket.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: MANILA 13827
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 09 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <09-Aug-2002 by cunninfx>; APPROVED <19-Nov-2002 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE FOR BANGLADESH SHILPA RIN SANGSTHA PROJECT
TAGS: EAID, EFIN, BG, ADB-1
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005